



## Fact Sheet: Strengthening Overtime Protections for Workers

*Too many corporations are using Bush-era loopholes in our labor laws to make hardworking Americans work more for less pay. Through the use of “white collar” exemptions, companies can classify a regular worker as a manager, force them to work more than 40 hours a week, and pay nothing in overtime leaving workers not only with less pay, but with less time with their families or control over their schedules. The Department of Labor’s new overtime rule will help make sure workers get the pay they have earned for the hours they work.*

### **Economic experts say updating the overtime rule will increase wages and job opportunities for hardworking Americans.**

- Congress passed the Fair Labor Standards Act (FLSA) in 1938 to protect low-wage workers from being exploited by their employers. Employers should not be allowed to hire one person to do the work of two people. [EPI, [6/16/15](#); EPI, [3/13/14](#); NY Times, [3/14/14](#)]
- At only \$455 a week, or \$23,660 annually, today’s salary threshold is indefensibly low. The current salary threshold is below the federal poverty-level income for a family of four – and it is far below historical levels after adjusting for inflation. At its peak value in 1970, the salary threshold was \$1,071 a week in real 2013 dollars, or \$55,692 a year. [HHS; EPI, [3/19/14](#)]
- A fair overtime rule will increase wages, provide more job opportunities, and will protect the American tradition of a 40-hour workweek. [NY Times, [3/14/14](#); EPI, [6/16/15](#); Washington Post, [3/12/14](#)]
- Many economists believe a long-overdue update of the overtime rule to adjust it for inflation could lead to higher wages and create more jobs as businesses either pay workers what they have earned for working overtime or hire new workers. Even the National Retail Federation, which opposes the overtime salary threshold increase, estimates that **the rule would create 117,100 jobs in the retail and restaurant industries**. [CAP-EPI, 5/16]
- A new overtime threshold will also relieve more of the “slack” in the labor market as more workers gravitate to additional job openings, boosting the wages businesses need to offer to attract employees. [EPI, [6/30/15](#); Washington Post, [3/12/14](#)]

### **Workers are more productive and working longer than ever, but receive less in real wages.**

- Over the past four decades, U.S. real gross domestic product has tripled, worker productivity is 80% higher, and the average worker works 11% more hours than he or she

did in 1975. [CAP, [6/25/14](#)]

- One of the reasons Americans' paychecks are not keeping pace with their productivity is that millions of lower- and middle-class workers are working overtime but they are not getting paid for it. [CAP, [6/25/14](#)]
- While the average CEO now makes 303 times more than the average worker, middle class wages have remained stagnant and low-wage workers' wages continue to decline. [CAP-EPI, 5/16]
- In fact, after adjusting for inflation, the majority of workers have not received a meaningful wage increase since 1979 – before Ronald Reagan was elected president. [House Education and the Workforce Committee Testimony, [6/10/15](#)]

### **Today's overtime regulations are outdated and have not kept up with the changing labor market.**

- The FLSA requires employers to pay a premium when their employees work overtime – 1.5 times the hourly wage for any work beyond 40 hours per week – with an exemption for certain managerial and administrative staff. The law also gives the Department of Labor the authority to periodically update both the salary level and the duties that define who is exempt. [EPI, [1/27/14](#)]
- Unfortunately, these rules are so outdated that they do not reflect changes in the labor market. The salary threshold has never been linked to inflation, and the Department of Labor has only raised it once in the last 40 years – in 2004 – and while that raise recovered a fraction of what had been lost due to inflation, it was actually a step backwards as the threshold dropped below the average wage and the change made it easier for corporations to classify millions of workers as ineligible for overtime. [CAP, [6/25/14](#)]
- The threshold rule was meant to protect lower-class and middle-class workers who lack control over their time and tasks. However, because the regulations are so severely outdated, they exclude workers who deserve and would strongly benefit from overtime pay. [EPI, [9/10/14](#); CAP, [6/25/14](#)]

### **The 2004 Bush Overtime Rule hurt workers and decreased pay.**

- In 2004, President George W. Bush instituted the last change to the nation's overtime rules by setting the salary threshold below the average wage for the first time. [CAP, [6/25/14](#)]
- The 2004 Bush changes also made significant reforms to the "white collar" exemptions, making it broader and easier for corporations to classify millions of workers as ineligible for overtime. [CAP, [6/25/14](#)]

### **Too many corporations are taking advantage of outdated overtime rules.**

- Employers routinely take advantage of the loopholes in the existing regulations to avoid paying overtime to lower-wage workers such as front-line retail managers or food service

managers by giving them menial managerial responsibilities to disqualify them from overtime. [CAP, [6/25/15](#); EPI, [9/2/14](#)]

- While salaried workers work an average of 49 hours per week – only 7% of salaried workers today are guaranteed overtime under the current overtime regulations. When the Ford Administration raised the threshold in 1975, the protections guaranteed overtime to 62% of salaried workers. [EPI, [6/30/15](#); Washington Post, [9/2/14](#); White House, [5/17/16](#)]

**President Obama's new overtime rules will finally update this law and give a pay raise to millions of hardworking Americans.**

- Fortunately, the FLSA gave the Department of Labor the authority to periodically update both the salary level and the duties that define who is exempt. [EPI, [1/27/14](#)]
- With the new rule, the Department of Labor is expected to expand overtime protections to help lift millions of salaried workers out of poverty and give them a raise [White House, [3/13/14](#)]
- Updating the salary threshold will create an incentive for employers to hire more workers. If there is so much work to be done that more than 40 hours per week from staff is regularly necessary to accomplish it, the overtime premium creates an incentive for employers to hire more employees or to increase the hours of employees who are involuntarily working part-time, which is especially important during periods of high unemployment. [EPI, [10/21/14](#); NELP, [12/19/14](#)]
- Modernizing the salary threshold and extending guaranteed overtime rights to middle-class workers will help American workers get the pay they deserve and will help restore one of basic principles of fairness to the labor market. Raising the overtime threshold will also mean that millions of lower-wage Americans who have been working 50 or 60 hour work weeks will start getting paid for their overtime, just as the FLSA intended. [CAP, [6/25/14](#)]